

PERRY CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2006

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council Members
Perry City Corporation
Perry City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry City Corporation (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry City Corporation as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2006, on our consideration of Perry City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing or internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the same auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Wiggins & Co., PC

Brigham City, Utah
November 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Perry City Corporation, we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. The General Fund includes governmental activities such as administration, fire and first responder services, police protection, roads and parks. The Enterprise Fund comprises utilities of water, sewer, garbage and storm drain. More information can be obtained by contacting Duncan Murray, City Administrator, at Perry City Offices, 3005 South 1200 West, Perry City, Utah 84302.

Financial Highlights

The total net assets of Perry City Corporation increased by \$2,509,497, totaling \$13,362,287. The governmental activities' net assets increased by \$1,824,856 and the business-type activities' net assets increased by \$684,641.

The total net assets of Perry City Corporation is \$13,362,287, and is made up of \$10,904,169 in capital assets (net of related debt) such as land, infrastructure, buildings and improvements and machinery and equipment. The remaining net assets total \$2,458,118. Of this amount, \$1,514,434 is unrestricted. The remaining \$943,684 is restricted for debt service reserves and impact fees.

Total long-term liabilities of the City increased by \$1,908,171. The long-term debt consists of bonds in the Special Improvement District for improvements at Pointe Perry, bonds to finance improvements to the water and sewer systems in the Utility Fund and compensated absences recorded in the General Fund and Utility Fund. The new debt incurred was for the issuance of bonds in the Special Assessment District to pay off the outstanding interim warrants. The total outstanding long-term debt of the City at June 30, 2006, was \$2,499,112.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Perry City Corporation's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business reporting.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other non-financial factors will also need to be considered.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. Regardless of the timing of related cash flows, changes in net assets are reported as soon as the underlying event occurs that gives rise to the change. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 9-11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds—These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental funds in a reconciliation included with the fund financial statements.

The City reports three governmental funds as major funds (as determined by generally accepted accounting principles) in the fund financial statements. The three major funds reported are the General Fund, the Capital Project Fund and the Special Improvement District.

Proprietary Funds—The City maintains one enterprise fund which is proprietary in nature. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for Culinary Water, Sewer, Garbage and Storm Drain utilities. As determined by generally accepted accounting principles, this utility fund meets the criteria for major fund classification. The City uses an Internal Service Fund to report activities that provide supplies and services to the City's other programs and activities.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For Perry City Corporation, assets exceeded liabilities by \$13,362,287 at June 30, 2006.

By far the largest portion of the City's net assets (82%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment), less any related debt used to acquire those assets that is outstanding at year end. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the operations of the funds wherein the capital assets are recorded, since the capital assets themselves cannot be used to liquidate these liabilities.

A summary of the net assets of the City is as follows:

Governmental Activities:

	2006	2005	Total Changes
Current and other assets	\$ 2,901,487	\$ 652,491	\$ 2,248,996
Capital assets	7,263,572	7,142,582	120,990
Total assets	10,165,059	7,795,073	2,369,986
Current and other liabilities	2,455,575	1,891,166	564,409
Long-term liabilities	5,906	25,185	(19,279)
Total liabilities	2,461,481	1,916,351	545,130
Net assets:			
Invested in capital assets, net of related debt	7,258,243	5,599,183	1,659,060
Restricted	210,636	-	210,636
Unrestricted	234,699	279,539	(44,840)
Total net assets	\$ 7,703,578	\$ 5,878,722	\$ 1,824,856

Business-type activities:

	2006	2005	Total Changes
Current and other assets	\$ 2,080,187	\$ 1,586,358	\$ 493,829
Capital assets	4,166,122	4,071,721	94,401
Total assets	6,246,309	5,658,079	588,230
Current and other liabilities	116,292	110,577	5,715
Long-term liabilities	471,308	573,434	(102,126)
Total liabilities	587,600	684,011	(96,411)
Net assets:			
Invested in capital assets, net of related debt	3,645,926	3,502,696	143,230
Restricted	733,048	332,078	400,970
Unrestricted	1,279,735	1,139,294	140,441
Total net assets	\$ 5,658,709	\$ 4,974,068	\$ 684,641

The City's total net assets increased by \$2,509,497 as summarized below:

Governmental Activities:

	2006	2005	Total Changes
Revenues:			
Program revenues:			
Charges for services	\$ 2,257,212	\$ 306,925	\$ 1,950,287
Operating grants and	144,426	126,519	17,907
Capital grants and contributions	1,202	2,200	(998)
General revenues:			
Property taxes	295,508	285,847	9,661
Sales taxes	497,359	422,704	74,655
Energy, 911 and Franchise taxes	51,309	44,186	7,123
Unrestricted investment earnings	89,823	42,027	47,796
Gain on sale of fixed assets	-	(5,172)	5,172
Total revenues	3,336,839	1,225,236	2,111,603
Expenses:			
Judicial	14,304	23,560	(9,256)
Administration	419,401	339,913	79,488
Public safety	379,649	339,739	39,910
Highways and streets	367,392	330,367	37,025
Parks	146,368	132,142	14,226
Interest on long-term debt	184,869	194,250	(9,381)
Total expenses	1,511,983	1,359,971	152,012
Change in net assets	\$ 1,824,856	\$ (134,735)	\$ 1,959,591

Business-type activities:

Revenues:

Program revenues:

Charges for services	\$ 1,320,689	\$ 968,500	\$ 352,189
Operating grants and	-	-	-
Capital grants and contributions	-	-	-

General revenues:

Unrestricted investment earnings	1,292	1,249	43
Gain on sale of fixed assets	-	68,191	(68,191)
Total revenues	1,321,981	1,037,940	284,041

Expenses:

Water	270,770	257,784	12,986
Sewer	196,368	170,614	25,754
Garbage	135,177	118,480	16,697
Storm Drain	20,287	18,416	
Interest on long-term debt	14,738	16,401	(1,663)
Total expenses	637,340	581,695	55,774
Change in net assets	\$ 684,641	\$ 456,245	\$ 230,267

The change in the City's assets is mainly due to the issuance of the Special Improvement District bonds. The \$1,965,000 that the developer will repay is included in charges for services. The City also collected water and sewer impact fees of \$400,970 that were not yet spent on projects in 2006.

The City continues to invest in infrastructure without borrowing any monies. Facilities such as roads, sidewalks, centralized storm detention, auto read water meters and major vehicle and equipment upgrades are the major reasons for the increase in expenses. These same expenses also increase Perry City assets. Some of the increase in revenue was due to significant increases in the interest rates for funds placed in UPTIF "State Treasury Pool." Some of the increases in expenses were due to increased gas/fuel costs for city vehicles.

The increase in utility revenue is directly related to growth and the increase in population. Personnel costs increase in relationship to growth as government is a service oriented business. In particular, a new full-time police position was added and a part-time "Commissioner" and some other part-time police positions were replaced by a full-time police chief position. Maintenance and repairs are ongoing costs and are necessary expenses for infrastructure longevity. Finally, there was a challenge keeping invoices paid during October to December 2005. Many of these invoices were paid in January, 2006 during a difficult transitional process.

Fund Financial Analysis

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At June 30, 2006, the City's governmental funds (General, Capital Projects and Special Improvement District) reported combined fund balances of \$458,230. This represents an increase of \$1,637,819 during fiscal year 2006.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state statutes or local ordinance or by a desire to maintain a matching of revenues and expenditures are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 63.9% of total General Fund revenues. The largest element of taxes is sales tax, representing 58.9% of total tax revenue and 63.4% of total General Fund revenues. As this is the only source of revenue we can encourage, we continue to invite and encourage new business to Perry City. Pointe Perry, a commercial development in Perry, has the first building under construction.

As stated earlier, the City maintains an Enterprise Fund to account for its business-type activities. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the fund statements provide much more detail. See page 17-20 of the financial report for this information.

Budgetary Highlights

During the year, the budgets of each fund were established, and the City worked within that budget very closely. Only one adjustment was needed at the end of the budget year due to the requirements of the State Auditor's Office to correct the deficit fund balance in the Capital Projects Fund and to create the Debt Service Fund Balance. We work very carefully to accomplish our goals within the adopted budget. There were also significant software and personnel changes, large infrastructure projects, and transition issues. The City has upgraded the main financial software to Caselle, which is used by most of the nearby jurisdictions. All key employees are trained in the use of the software which will bring efficiency to the office, better ability to follow the budget and will allow for more appropriate oversight by the Mayor and Council. The police department has been restructured with a full-time chief and another new full-time police officer. The 900 West water line was added and fourteen road projects were started. Finally, a change in the elected leadership (new Mayor and 3 out of 5 new council members) and a new office manager in January required some time to complete the transition.

Capital Asset and Debt Administration

The City's investment in capital assets for all activities at June 30, 2006, amounted to \$15,131,688. Accumulated depreciation on capital assets was \$3,701,996. Net capital assets amounted to \$11,429,692 at June 30, 2006. The investment in capital assets includes land, buildings and systems, improvements, infrastructure (roads, sidewalks, curb and gutter, etc.), and machinery and equipment. The total increase in the City's investment in capital assets during 2006 was \$526,795. Depreciation expense for 2006 was \$311,406, with \$197,348 recorded in governmental activities and \$114,058 recorded in business-type activities.

Major capital asset increases during 2006 are as follows:

The improvements at Pointe Perry were re-classified from "Construction in Progress" to "infrastructure" during the fiscal year. There was a new police vehicle purchased as well as upgrades in other police equipment. A new water line was added on 725 West/900 West and fourteen new road projects were started (although they were completed and paid for in fiscal year 2006-2007).

A comparison of the capital assets of the City is as follows:

Governmental activities:

	2006	2005	Total Changes
Land	\$ 188,825	\$ 188,825	\$ -
Buildings	71,436	71,436	-
Improvements	497,784	483,982	13,802
Infrastructure	7,648,141	6,256,808	1,391,333
Machinery & equipment	111,873	92,658	19,215
Vehicles	403,114	365,874	37,240
Construction in progress	40,000	1,183,252	(1,143,252)
	<u>8,961,173</u>	<u>8,642,835</u>	<u>318,338</u>
Less: accumulated depreciation	<u>(1,697,601)</u>	<u>(1,500,253)</u>	<u>(197,348)</u>
Total capital assets-governmental activities	<u>\$ 7,263,572</u>	<u>\$ 7,142,582</u>	<u>\$ 120,990</u>

Business-type activities:

Land	\$ 173,579	\$ 173,579	\$ -
Buildings	96,992	96,992	-
Improvements	5,725,941	5,509,049	216,892
Machinery & equipment	170,203	125,646	44,557
Vehicles	3,800	3,800	-
Construction in progress	-	52,992	(52,992)
	<u>6,170,515</u>	<u>5,962,058</u>	<u>208,457</u>
Less: accumulated depreciation	<u>(2,004,395)</u>	<u>(1,890,337)</u>	<u>(114,058)</u>
Total capital assets-business-type activities	<u>\$ 4,166,120</u>	<u>\$ 4,071,721</u>	<u>\$ 94,399</u>

Additional information on the City's capital assets can be found in the notes to the financial statements in this financial report.

The City had total outstanding long-term debt as of June 30, 2006, of \$2,499,112.

The detail of the long-term debt accounts is as follows:

	2006	2005	Total changes
Sewer Revenue Bonds Payable	\$ 451,000	\$ 480,000	\$ (29,000)
Water Revenue Bonds Payable	21,500	33,000	(11,500)
Water Revenue Bonds Payable	47,696	56,025	(8,329)
Police Car Note Payable	5,329	11,001	(5,672)
Special Improvement District bonds	1,965,000	-	1,965,000
Compensated Absences Payable	8,587	10,915	(2,328)
Total Long-term Debt	<u>\$ 2,499,112</u>	<u>\$ 590,941</u>	<u>\$ 1,908,171</u>

Additional information on the City's long-term debt can be found in the notes to the financial statements in this financial report.

PERRY CITY CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2006

		Primary Government	
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 515,826	\$ 1,221,887	\$ 1,737,713
Receivables			
Taxes	57,677	-	57,677
Accounts (net of allowance for bad debts of \$1,500)	1,972,420	70,107	2,042,527
Other	-	-	-
Due from other government units	33,632	-	33,632
Due from other funds	11,575	55,145	66,720
Restricted cash and cash equivalents	210,636	733,048	943,684
Deferred charges	99,721	-	99,721
Capital assets (net of accumulated depreciation)			
Land	188,825	173,579	362,404
Buildings	54,744	90,930	145,674
Improvements	201,357	3,774,149	3,975,506
Infrastructure	6,574,062	-	6,574,062
Equipment	44,811	127,462	172,273
Vehicles	159,773	-	159,773
Construction in progress	40,000	-	40,000
Total Assets	10,165,059	6,246,307	16,411,366
LIABILITIES			
Accounts payable	216,917	14,669	231,586
Accrued liabilities	30,777	10,957	41,734
Bond interest payable	42,657	6,930	49,587
Deposits payable	116,935	19,000	135,935
Due to other funds	66,720	-	66,720
Deferred revenue	1,976,240	13,165	1,989,405
Noncurrent liabilities - due within one year	5,329	51,569	56,898
Noncurrent liabilities - due in more than one year	5,906	471,308	477,214
Total Liabilities	2,461,481	587,598	3,049,079
NET ASSETS			
Investment in capital assets, net of debt	7,258,243	3,645,924	10,904,167
Restricted for:			
Impact fees	16,109	651,748	667,857
Debt service	194,527	81,300	275,827
Capital projects	-	-	-
Unrestricted	234,699	1,279,737	1,514,436
Total Net Assets	\$ 7,703,578	\$ 5,658,709	\$ 13,362,287

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental activities:			
Judicial	\$ 14,304	\$ 30,073	\$ -
Administration	419,401	218,747	24
Public safety	379,649	9,398	1,734
Streets	367,392	1,965,210	142,668
Parks	146,368	33,784	-
Interest on long-term debt	184,869	-	-
Total governmental activities	<u>1,511,983</u>	<u>2,257,212</u>	<u>144,426</u>
Business-type activities:			
Water	270,770	651,768	-
Sewer	196,368	425,301	-
Garbage	135,177	159,986	-
Storm Drain	20,287	83,634	-
Interest on long-term debt	14,738	-	-
Total business-type activities	<u>637,340</u>	<u>1,320,689</u>	<u>-</u>
Total primary government	<u>\$ 2,149,323</u>	<u>\$ 3,577,901</u>	<u>\$ 144,426</u>

General revenues
Property taxes
Sales taxes
Energy, 911 and Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Gain (loss) on sale of capital assets
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ 15,769	\$ -	\$ 15,769
(200,630)	-	(200,630)
(368,517)	-	(368,517)
1,740,486	-	1,740,486
(111,382)	-	(111,382)
(184,869)	-	(184,869)
<u>890,857</u>	<u>-</u>	<u>890,857</u>
-	380,998	380,998
-	228,933	228,933
-	24,809	24,809
-	63,347	63,347
-	(14,738)	(14,738)
-	<u>683,349</u>	<u>683,349</u>
<u>890,857</u>	<u>683,349</u>	<u>1,574,206</u>
295,508	-	295,508
497,359	-	497,359
51,309	-	51,309
-	-	-
89,823	1,292	91,115
-	-	-
-	-	-
<u>933,999</u>	<u>1,292</u>	<u>935,291</u>
1,824,856	684,641	2,509,497
5,878,722	4,974,068	10,852,790
<u>\$ 7,703,578</u>	<u>\$ 5,658,709</u>	<u>\$ 13,362,287</u>

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PERRY CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects Fund	Special Improvement District	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 444,743	\$ 62,327	-	\$ 507,070
Investments				
Receivables (net of allowance for				
Accounts	7,420	-	1,965,000	1,972,420
Taxes	57,677	-		57,677
Due from other governments	33,632	-		33,632
Due from other funds	11,575	-		11,575
Restricted cash and cash equivalents	16,109	-	194,527	210,636
Total assets	<u>\$ 571,156</u>	<u>\$ 62,327</u>	<u>2,159,527</u>	<u>\$ 2,793,010</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 213,371	\$ 116,936		\$ 330,307
Accrued payroll liabilities	28,233	-		28,233
Due to other funds	-	-		-
Warrants payable	-	-		-
Deferred revenue	11,240	-	1,965,000	1,976,240
Total liabilities	<u>252,844</u>	<u>116,936</u>	<u>1,965,000</u>	<u>2,334,780</u>
Fund balances				
Reserved for park impact fees	16,109	-	-	16,109
Reserved for debt service	-	-	194,527	
Unreserved:				
Undesignated	302,203	(54,609)	-	247,594
Total fund balances	<u>318,312</u>	<u>(54,609)</u>	<u>194,527</u>	<u>458,230</u>
Total liabilities and fund balances	<u>\$ 571,156</u>	<u>\$ 62,327</u>	<u>2,159,527</u>	<u>\$ 2,793,010</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET ASSETS
JUNE 30, 2006

Total fund balances-governmental funds \$ 458,230

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Land	\$	188,825	
Buildings		71,436	
Improvements & infrastructure		8,145,925	
Equipment		111,873	
Vehicles		403,114	
Construction in progress		40,000	
Accumulated depreciation		<u>(1,697,600)</u>	
Total capital assets			7,263,573

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of those internal funds that primarily benefit governmental entities are included with governmental activities in the statement of net assets. The capital assets are included in above. Other assets and liabilities include the following:

Current assets	8,756		
Current liabilities	(6,090)		
Current portion - note payable	(5,329)		
Compensated absences	(176)		
Due to other funds	<u>(66,720)</u>		
			(69,559)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Compensated absences	(5,730)		
Total liabilities			(5,730)

The bonds in the Special Improvement District have bond issuance costs of \$104,361 which are capitalized in the statement of net assets and amortized. Current year amortization is \$4,640. The SID also has accrued interest which wasn't paid until October 2006. This is not reported in the fund statement but is included in the net assets.

Bond issuance costs		99,721	
Accrued interest payable		<u>(42,657)</u>	

Total net assets-governmental funds \$ 7,703,578

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General	Capital Projects Fund	Special Improvement District	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 295,508	\$ -		\$ 295,508
Sales	497,359	-		497,359
Energy, 911 and Franchise tax	51,308	-		51,308
Licenses and permits	169,734	-		169,734
Intergovernmental	144,612	-		144,612
Charges for services	38,770	-		38,770
Fines	30,073	-		30,073
Investment earnings	79,044	2,851	7,928	89,823
Contributions and donations	1,226	-		1,226
Miscellaneous	13,424	-		13,424
Total revenues	<u>1,321,058</u>	<u>2,851</u>	<u>7,928</u>	<u>1,331,837</u>
EXPENDITURES				
Current:				
Judicial	14,304	-	-	14,304
Administration	387,342	-	-	387,342
Public safety	391,473	-	-	391,473
Streets	463,676	-	-	463,676
Parks	156,219	-	-	156,219
Total expenditures	<u>1,413,014</u>	<u>-</u>	<u>-</u>	<u>1,413,014</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(91,956)</u>	<u>2,851</u>	<u>7,928</u>	<u>(81,177)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds revenue	-	1,965,000	-	1,965,000
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	(141,643)	-	(141,643)
Bond issuance costs	-	(104,361)	-	(104,361)
Transfers (out) in	-	(186,599)	186,599	-
Total other financing sources and uses	<u>-</u>	<u>1,532,397</u>	<u>186,599</u>	<u>1,718,996</u>
Net change in fund balances	<u>(91,956)</u>	<u>1,535,248</u>	<u>194,527</u>	<u>1,637,819</u>
Fund balances - beginning	410,268	(1,589,857)	-	(1,179,589)
Fund balances - ending	<u>\$ 318,312</u>	<u>\$ (54,609)</u>	<u>\$ 194,527</u>	<u>\$ 458,230</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds \$ 1,637,819

Amounts reported for governmental activities in the statement of activities are

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$292,050) exceeded depreciation (\$173,560) in the current period. 118,490

Bond issuance costs are expensed on the fund statements but are capitalized and amortized on the statement of net assets. This is the amount of the bond issuance costs \$104,361 net of amorization of \$4,640. 99,721

The interest expense accrued on the statement of net assets was not expensed on the fund statements, because it was not payable until October 2006. (42,657)

The liability for compensated absences is not recorded in the governmental funds, but is reported in the statement of assets. This is the current year change in the liability, net of the change in the internal service fund, reported as a reduction of expense in the statement of activities. 8,128

Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. 3,355

Change in net assets of governmental activities \$ 1,824,856

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 288,645	\$ 288,645	\$ 295,508	\$ 6,863
Sales	450,000	450,000	497,359	47,359
Energy, 911 and Franchise tax	50,200	50,200	51,308	1,108
Licenses and permits	166,850	166,850	169,734	2,884
Intergovernmental	173,000	173,000	144,612	(28,388)
Charges for services	41,300	41,300	38,770	(2,530)
Fines	35,000	35,000	30,073	(4,927)
Investment earnings	27,000	27,000	79,044	52,044
Contributions and donations	5,500	5,500	1,226	(4,274)
Miscellaneous	14,600	14,600	13,424	(1,176)
Total revenues	<u>1,252,095</u>	<u>1,252,095</u>	<u>1,321,058</u>	<u>68,963</u>
EXPENDITURES				
Current:				
General government:				
Judicial	37,200	37,200	14,304	22,896
Administration	441,900	441,900	387,342	54,558
Public safety	430,250	430,250	391,473	38,777
Streets	566,300	566,300	463,676	102,624
Parks	149,600	149,600	156,219	(6,619)
Total expenditures	<u>1,625,250</u>	<u>1,625,250</u>	<u>1,413,014</u>	<u>212,236</u>
Excess of revenues over expenditures	<u>(373,155)</u>	<u>(373,155)</u>	<u>(91,956)</u>	<u>281,199</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	18,000	18,000	-	(18,000)
Sale of capital assets	170,000	170,000	-	(170,000)
Total other financing sources and uses	<u>188,000</u>	<u>188,000</u>	<u>-</u>	<u>(188,000)</u>
Net change in fund balances	<u>(185,155)</u>	<u>(185,155)</u>	<u>(91,956)</u>	<u>93,199</u>
Fund balances - beginning	410,268	410,268	410,268	-
Fund balances - ending	<u>\$ 225,113</u>	<u>\$ 225,113</u>	<u>\$ 318,312</u>	<u>\$ 93,199</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-type Enterprise Fund-Utilities	Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,221,887	\$ 8,756
Accounts receivable (net of allowance for uncollectibles)	70,107	-
Due from other funds	55,145	-
Total current assets	<u>1,347,139</u>	<u>8,756</u>
Noncurrent assets:		
Restricted cash for impact fees	651,748	
Revenue bond covenant accounts	81,300	-
Total restricted assets	<u>733,048</u>	<u>-</u>
Capital assets:		
Land	173,579	-
Buildings	96,992	-
Improvements	5,725,941	-
Machinery and equipment	170,203	9,430
Vehicles including heavy trucks	3,800	360,292
Construction in progress		-
Less accumulated depreciation	<u>(2,004,395)</u>	<u>(224,927)</u>
Total capital assets (net of accumulated depreciation)	<u>4,166,120</u>	<u>144,795</u>
Total noncurrent assets	<u>4,899,168</u>	<u>144,795</u>
Total assets	<u>6,246,307</u>	<u>153,551</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY
STATEMENT OF NET ASSETS (Continued)
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-type Enterprise Fund-Utilities	Governmental Activities - Internal Service Funds
LIABILITIES		
Current liabilities:		
Accounts payable	14,669	3,546
Accrued payroll liabilities	10,957	2,544
Due to other funds	-	66,720
Total current liabilities	<u>25,626</u>	<u>72,810</u>
Current liabilities payable from restricted assets:		
Revenue bonds payable	51,569	-
Capital lease payable		-
Note payable		5,329
Accrued interest payable	6,930	-
Total current liabilities payable from restricted assets	<u>58,499</u>	<u>5,329</u>
Noncurrent liabilities:		
Deferred Revenue	13,165	
Revenue bonds payable	468,627	-
Compensated absences	2,681	176
Deposits payable	19,000	-
Total noncurrent liabilities	<u>503,473</u>	<u>176</u>
Total liabilities	<u>587,598</u>	<u>78,315</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,645,924	139,466
Restricted for capital projects	651,748	-
Restricted for debt service	81,300	-
Unrestricted	1,279,737	(64,230)
Total net assets	<u>\$ 5,658,709</u>	<u>\$ 75,236</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Enterprise Fund-Utilities	Governmental Activities - Internal Service Funds
Operating revenues:		
Charges for sales and services:		
Water	\$ 244,905	\$ -
Sewer	156,463	-
Garbage	159,986	-
Storm Drain	27,873	-
Interfund services	-	100,000
Total operating revenues	<u>589,227</u>	<u>100,000</u>
Operating expenses:		
Water	201,241	-
Sewer	156,785	-
Garbage	135,177	-
Storm Drain	15,341	-
Depreciation	114,058	23,788
Fleet Lease	-	72,288
Total operating expenses	<u>622,602</u>	<u>96,076</u>
Operating income	<u>(33,375)</u>	<u>3,924</u>
Nonoperating revenues (expenses):		
Impact, connection and other-water	406,863	-
Impact, connection and other-sewer	268,838	-
Impact, connection and other-storm drain	55,761	-
Investment earnings	1,292	-
Interest and fiscal charges	(14,738)	(569)
Gain (Loss) on sale of fixed assets	-	-
Total nonoperating revenue (expenses)	<u>718,016</u>	<u>(569)</u>
Income before contributions and transfers	<u>684,641</u>	<u>3,355</u>
Transfers in	-	-
Transfers out	-	-
Change in net assets	<u>684,641</u>	<u>3,355</u>
Total net assets - beginning	4,974,068	71,881
Total net assets - ending	<u>\$ 5,658,709</u>	<u>\$ 75,236</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Enterprise Fund-Utilities	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 596,607	\$ 100,000
Payments to suppliers	(379,301)	(21,037)
Payments to employees	(194,947)	(37,676)
Other receipts	-	-
Other payments	-	-
Net cash provided by operating activities	<u>22,359</u>	<u>41,287</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net cash used by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(208,456)	(26,290)
Other revenues	731,462	-
Payment on notes and leases payable	-	(5,672)
Payment on revenue bonds	(48,829)	-
Interest paid on notes and leases payable	-	(569)
Interest paid on revenue bonds	(15,619)	-
Net cash provided (used) from capital and related financing activities	<u>458,558</u>	<u>(32,531)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>1,292</u>	<u>-</u>
Net cash provided from investing activities	<u>1,292</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	482,209	8,756
Cash and cash equivalents beginning of year	<u>1,472,726</u>	<u>-</u>
Cash and cash equivalents end of year	<u>\$ 1,954,935</u>	<u>\$ 8,756</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income	\$ (33,375)	\$ 3,924
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	114,058	23,788
Change in assets and liabilities:		
Accounts receivable	(11,620)	-
Accounts payable	(31,932)	779
Due from/to other funds	-	11,575
Accrued payroll liabilities	(1,364)	1,372
Deferred revenue	(30,680)	-
Utility deposits	19,000	-
Obligation for compensated absences	(1,728)	(151)
Net cash provided by (used in) operating activities	<u>\$ 22,359</u>	<u>\$ 41,287</u>

The accompanying notes are an integral part of these financial statements.

PERRY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), highways and street, water, sewer, storm sewer, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of Perry City Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City applies the criteria of GASB codification section 1200 to define the scope of the reporting entity. Consideration is given to various factors, including oversight and financial responsibility. Based upon the application of this criteria, the financial statements include all funds and accounts of the City. No other entities were determined to be component units of the City.

B. Government-wide and Fund Financial Statements

Government-wide Financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services.

Fund Financial Statements. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. The remaining governmental and enterprise funds are combined into a single column and reported as other (nonmajor) funds. Internal service funds, even though primarily benefiting governmental activities, are reported on the proprietary fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PERRY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Capital assets acquired through the use of financial resources are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days, and therefore do not meet the "available" criterion, are not reported until collected. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Sales and excise taxes, restaurant taxes, and franchise taxes, are considered "measurable" and recognized as revenue when received by merchants and will be remitted to the City in time to be used to pay current obligations. Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, which are recognized when payment is due.

The City reports the following major governmental funds:

General Fund—The General Fund accounts for all activities not accounted for by other funds of the City. The principal source of revenue for this fund is sales tax.

Capital Project Fund—The Capital Project Fund is used to account for the acquisition or construction of fixed assets. In this instance, it is used to account for the Pointe Perry Project.

Special Improvement District—The Special Improvement District Fund is used to account for the receipt and payment of the Special Improvement bonds that were used for the Pointe Perry Project.

Proprietary Fund Financial Statements. Proprietary funds include enterprise funds and internal service funds. Enterprise funds report the activities for which a fee is charged to external users for goods or services. Internal service funds are used to account for the goods and services provided by one fund to other funds of the City, rather than to the general public. The financial statements of the proprietary funds are reported similar to the government-wide financial statements in that they both use the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from providing goods and services relating to the primary operations of the proprietary fund. Other revenues and expenses are reported as nonoperating.

PERRY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major proprietary funds:

Utility Fund—The Utility Fund is used to account for revenue and expenses for the water, sewer, garbage and storm drain services.

Fleet Lease Internal Service Fund—The Fleet Lease Fund is used to account for charges to the other funds for the use of the City fleet. In the government-wide financial statements, the Fleet Lease Internal Service Fund is included with the governmental activities.

D. Budgets

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year end.

The City operates within the budget requirements for Cities as specified by State law. The financial reports reflect the following budgetary standards.

1. By the first regular scheduled council meeting in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. By June 15, the budget is legally enacted through passage of an ordinance.
4. The Mayor is authorized to transfer budgeted amounts within departments within the general fund; however, any transfer of budgeted amounts between departments within the general fund must be approved by the City Council. The City must hold a public hearing to alter the total expenditures of the general fund.
5. Budgeted amounts are as originally adopted, or as amended by the City Council prior to June 30. Individual amendments were not material in relation to the original appropriations which were amended.

E. Cash and Cash Equivalents

Unrestricted cash balances of all funds are combined to form a pool of cash and investments which is managed by the City Treasurer in accordance with the Utah Money Management Act. Income from the investment of pooled cash is allocated based upon each fund's portion of the pool. Restricted cash consists of that portion of pooled cash that is restricted for a specific use due to constraints imposed by external parties or enabling legislation, or is cash held in trust in compliance with bond covenants, terms and conditions. When both restricted and unrestricted sources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Statements of cash flows are presented for proprietary funds under the direct method. For purposes of the statements of cash flows, each fund's allocated portion of pooled cash and investments is considered to be cash and cash equivalents, since this amount is immediately available for use by the fund.

PERRY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Interfund transactions

Interfund transactions represent transactions between different funds within the City. In general, interfund activity, including internal service fund transactions, has been eliminated from the government-wide financial statements in an effort to minimize the doubling-up of revenues and expenses resulting from such transactions.

G. Private-sector Standards of Accounting and Financial Reporting

The City generally applies to both the government-wide and proprietary fund statements all *Financial Accounting Standards Board (FASB)* Statements and Interpretations, APB Opinions, and Accounting Research bulletins issued on or before November 30, 1989, to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board (GASB)*. The City has elected not to follow private-sector guidance subsequent to that date.

H. Capital Assets

Capital assets include land, buildings, improvements other than buildings, leasehold improvements, furniture, fixtures and equipment, vehicles, infrastructure (roads, bridges, lighting and flood control) and construction in progress. These assets are reported in the government-wide financial statements in the relevant column on the Statement of Net Assets under governmental or business-type activities. Proprietary fund capital assets are also reported in the appropriate fund statements. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold for personal property is defined to be assets with a useful life of at least one year and costing at least \$2,500; real property thresholds vary by type of asset, but are generally established at the same amount. Assets purchased or constructed are generally recorded at cost. If precise cost is not available (as was the case with certain infrastructure), the asset is recorded at estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

When constructing capital assets, interest expense incurred relating to governmental activities is not capitalized. Interest on assets being readied for service in proprietary funds is capitalized. During 2006 no interest was capitalized because no significant construction occurred in proprietary funds.

Depreciation of all exhaustible capital assets is charged as an expense against operations for proprietary funds and is charged to the various functional expenses or business-type activities in the government-wide Statement of Activities. Accumulated depreciation is reported on proprietary fund and government-wide Statements of Net Assets. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	10-40 years
Improvements	5-40 years
Equipment	5-20 years
Vehicles	5-10 years
Infrastructure	20-80 years

PERRY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but not used vacation benefits. An estimate of vacation pay is accrued when incurred in government-wide financial statements and proprietary funds and reported as a liability. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements.

J. Long-term liabilities

In the government-wide financial statements and proprietary fund statements, long-term debt is reported as a liability. Bond premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in bond refundings), as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Net Assets/Fund Balances

The difference between assets and liabilities is "Net Assets" on the government-wide and proprietary fund financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

L. Property Taxes

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on June 22 for the next fiscal year beginning July 1 and are due November 30. City property tax revenues are not recognized when levied, because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB.

PERRY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 2. RECEIVABLES

Receivables at June 30, 2006, consist of the following:

	Taxes	Due from other Governments	Accounts	Total
Governmental activities:				
General Fund	\$ 57,677	\$ 33,632	\$ 7,420	\$ 98,729
Special Improvement District			1,965,000	1,965,000
Total receivables	<u>\$ 57,677</u>	<u>\$ 33,632</u>	<u>\$ 1,972,420</u>	<u>\$ 2,063,729</u>
Business-type activities:				
Utility fund, net of allowance \$1,500	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,107</u>	<u>\$ 70,107</u>

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 188,825	\$ -	\$ -	\$ 188,825
Construction in progress	1,183,252	-	(1,143,252)	40,000
Total capital assets not being depreciated	<u>1,372,077</u>	<u>-</u>	<u>(1,143,252)</u>	<u>228,825</u>
Capital assets being depreciated:				
Buildings	71,436	-	-	71,436
Improvements	483,982	13,802	-	497,784
Infrastructure	6,256,808	1,391,333	-	7,648,141
Furniture, machinery and equipment	92,658	19,215	-	111,873
Vehicles	365,874	37,240	-	403,114
Total capital assets being depreciated	<u>7,270,758</u>	<u>1,461,590</u>	<u>-</u>	<u>8,732,348</u>
Less accumulated depreciation				
Buildings	(15,141)	(1,551)	-	(16,692)
Improvements	(271,905)	(24,522)	-	(296,427)
Infrastructure	(935,028)	(139,051)	-	(1,074,079)
Furniture, machinery and equipment	(59,922)	(7,140)	-	(67,062)
Vehicles	(218,257)	(25,084)	-	(243,341)
Total accumulated depreciation	<u>(1,500,253)</u>	<u>(197,348)</u>	<u>-</u>	<u>(1,697,601)</u>
Total capital assets being depreciated, net	<u>5,770,505</u>	<u>1,264,242</u>	<u>-</u>	<u>7,034,747</u>
Governmental activity capital assets, net	<u>\$ 7,142,582</u>	<u>\$ 1,264,242</u>	<u>\$(1,143,252)</u>	<u>\$ 7,263,572</u>

PERRY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 3. CAPITAL ASSETS (Continued)

Business-type activities:

Capital assets not being depreciated:

Land	\$ 173,579	\$ -	\$ -	\$ 173,579
Construction in progress	52,992	-	(52,992)	-
Total assets not being depreciated	<u>226,571</u>	<u>-</u>	<u>(52,992)</u>	<u>173,579</u>

Capital assets being depreciated:

Buildings	96,992	-	-	96,992
Improvements	5,509,049	216,892	-	5,725,941
Furniture, machinery and equipment	125,646	44,557	-	170,203
Vehicles	3,800	-	-	3,800
Total capital assets being depreciated	<u>5,735,487</u>	<u>261,449</u>	<u>-</u>	<u>5,996,936</u>

Less accumulated depreciation

Buildings	(3,637)	(2,425)	-	(6,062)
Improvements	(1,850,863)	(100,929)	-	(1,951,792)
Furniture, machinery and equipment	(32,037)	(10,704)	-	(42,741)
Vehicles	(3,800)	-	-	(3,800)
Total accumulated depreciation	<u>(1,890,337)</u>	<u>(114,058)</u>	<u>-</u>	<u>(2,004,395)</u>

Total capital assets being depreciated, net

	<u>3,845,150</u>	<u>147,391</u>	<u>-</u>	<u>3,992,541</u>
Business-type capital assets, net	<u>\$ 4,071,721</u>	<u>\$ 147,391</u>	<u>\$ (52,992)</u>	<u>\$ 4,166,120</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Administration	\$ 8,029
Parks	13,009
Police	530
Streets	151,992

Depreciation on capital assets of the City's governmental internal service fund is charged to the various functions based on their usage of the assets

Total depreciation expense - governmental activities	<u>\$ 197,348</u>
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Business-type activities:

Sewer	\$ 39,583
Water	69,529
Storm Drain	4,946
Total depreciation expense - business-type activities	<u>\$ 114,058</u>

**PERRY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 4. RETIREMENT PLANS

Plan Description. Perry City Corporation contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System and Public Safety Retirement System for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System, Perry City Corporation is required to contribute 11.09% of their annual covered salary. In the Public Safety Retirement System for employers with Social Security coverage contributory division members are required to contribute 12.29% of their salary (all or part may be paid by the employer for the employee) and Perry City Corporation is required to contribute 7.7% of their annual salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Perry City Corporation contributions to the Noncontributory Retirement System for June 30, 2006, 2005, and 2004 were \$33,056, \$27,408, and \$24,147 respectively and for the Public Safety Retirement System the contributions for June 30, 2006, 2005, and 2004 were \$25,823, \$30,881, and \$26,830 respectively.

The City also sponsors a 401-K deferred compensation arrangement through the Utah State Retirement System for all eligible employees. The City contributed \$24,065 to this plan during the year ended June 30, 2006, and the employees contributed \$10,390.

PERRY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 5. LONG-TERM OBLIGATIONS

The City has the following long-term obligations at June 30, 2006:

In 1998, the City issued \$640,000 in Revenue Water Bonds to finance additional water construction. The bonds are to be repaid from water sales from the utility fund. The bonds were dated January 1, 2000, and mature on January 1, 2019, and bear interest at a rate of 2.56%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2007	30,000	11,546	43,553	2.56%
2008	30,000	10,778	42,786	2.56%
2009	31,000	10,010	43,019	2.56%
2010	32,000	9,216	43,226	2.56%
2011	33,000	8,397	43,408	2.56%
2012	34,000	7,552	43,564	2.56%
2013	35,000	6,682	43,695	2.56%
2014	35,000	5,786	42,800	2.56%
2015	36,000	4,890	42,905	2.56%
2016	37,000	3,968	42,984	2.56%
2017	38,000	3,020	43,037	2.56%
2018	39,000	2,048	43,066	2.56%
2019	41,000	1,050	44,069	2.56%
	<u>\$ 451,000</u>	<u>\$ 84,943</u>	<u>\$ 562,112</u>	

In 1972, the City issued \$210,000 in Revenue Sewer Bonds to finance additional sewer construction. The bonds are to be repaid from sewer sales from the utility fund. The bonds were dated January 1, 1984, and mature on January 1, 2008, and bear interest at a rate of 5.00%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2007	13,000	1,075	16,082	5.00%
2008	8,500	425	10,933	5.00%
	<u>\$ 21,500</u>	<u>\$ 1,500</u>	<u>\$ 27,015</u>	

In 1992, the City issued \$150,000 in Revenue Water Bonds to finance additional water construction. The bonds are to be repaid from water sales from the utility fund. The bonds were dated June 5, 1992, and mature on January 1, 2011, and bear interest at a rate of 3.00%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2007	8,559	1,431	11,997	3.00%
2008	8,826	1,174	12,008	3.00%
2009	9,091	909	12,009	3.00%
2010	9,363	637	12,010	3.00%
2011	11,857	356	14,224	3.00%
	<u>\$ 47,696</u>	<u>\$ 4,507</u>	<u>\$ 62,248</u>	

PERRY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 5. LONG-TERM OBLIGATIONS (Continued)

In 2002, the City purchased a new police vehicle for \$26,268. The note was issued from a local bank in May 2002 with final payment due May 2007 at 6.75% annual interest. The following is a debt schedule over the period of the note:

Year	Principal	Interest	Total
2007	5,329	175	7,511
	<u>\$ 5,329</u>	<u>\$ 175</u>	<u>\$ 7,511</u>

On August 11, 2005, the City issued special assessment bonds in the amount of \$1,965,000 at a variable rate of interest based on 70% of the one month LIBOR as computed each year on the anniversary date. These bonds were issued to retire the interim warrants used to finance improvements at Pointe Perry and will be repaid by the developer through refunds of assessed property taxes and sales taxes. The interest rate for the fiscal year ended June 30, 2006, was 4.74%. The final payment is due October 1, 2020. The following is a debt schedule over the period of the bonds:

Year	Principal	Interest	Total	Interest rate
2007	\$ 83,000	\$ 103,236	\$ 186,236	4.74%
2008	98,000	87,889.00	185,889	4.74%
2009	103,000	83,313.00	186,313	4.74%
2010	108,000	78,503	186,503	4.74%
2011	113,000	73,459.00	186,459	4.74%
2012-2016	647,000	283,282.00	930,282	4.74%
2017-2021	813,000	117,405	930,405	4.74%
	<u>\$ 1,965,000</u>	<u>\$ 117,405</u>	<u>\$ 930,405</u>	

The remaining long-term debt consists of compensated absences in the amount of \$8,587.

Transactions affecting long-term obligations are as follows:

	Bonds Payable	Notes Payable	Compensated Absences	Total
Governmental				
Balance, July 1	\$ -	\$ 11,001	\$ 14,184	\$ 25,185
Additions	1,965,000	-	7,947	1,972,947
Retirements	-	(5,672)	(16,401)	(22,073)
Balance, June 30	<u>\$ 1,965,000</u>	<u>\$ 5,329</u>	<u>\$ 5,730</u>	<u>\$ 1,976,059</u>
Due within 1 year	<u>\$ 83,000</u>	<u>\$ 5,329</u>	<u>\$ -</u>	<u>\$ 88,329</u>
Business-type				
Balance, July 1	\$ 569,025	\$ -	\$ 4,409	\$ 573,434
Additions	-	-	4,087	4,087
Retirements	(48,829)	-	(5,815)	(54,644)
Balance, June 30	<u>\$ 520,196</u>	<u>\$ -</u>	<u>\$ 2,681</u>	<u>\$ 522,877</u>
Due within 1 year	<u>\$ 51,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,559</u>

PERRY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The following funds and/or departments had expenditures in excess of budget:

	Actual	Budget	Excess
General fund:			
Parks	\$ 156,219	\$ 149,600	\$ (6,619)

The following fund had a deficit fund balance:

Capital Project Fund	\$ 54,609
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This deficit fund balance is a result of the Pointe Perry project. The City has expended the funds for improvements, the bonds were issued, and this deficit is the result of a remaining liability and will clear in next year.

NOTE 8. CASH AND INVESTMENTS

The City maintains a Deposit and Investment Pool that is available for use by all funds of the City.

Deposits

At June 30, 2006, the carrying amount of the City deposits was \$71,759 and the bank balance was \$178,526. Of the bank balance, \$100,000 was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the City follows these recommendations.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953 Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository". The act defined a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

PERRY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 8. CASH AND INVESTMENTS (Continued)

Investments

At June 30, 2006, the City's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Certificate of Deposit	\$ 118,335	Oct. 1, 2006	N/A
US Treasury obligations held by trustee	194,527	N/A	N/A
Utah Public Treasurer's Investment Fund	2,296,736	N/A	Unrated
Total	<u>\$ 2,609,598</u>		

Interest Rate Risk. The City has no policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City invests in the Utah Public Treasurer's Investment Fund which is short term.

Credit Risk. The City has no policy regarding credit risk. The investment in the Utah Public Treasurer's Investment Fund is unrated. These monies are invested primarily in money market securities.

Custodial Credit Risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's \$118,335 investments in a certificate of deposit are uninsured and uncollateralized investments for which the securities are held by the counterparty, or by its trust department but not in the City's name. The City has no policy on custodial credit risk.

Total cash and investments:

Deposits	\$ 71,759
Investments	2,609,598
Cash on hand	40
	<u>\$ 2,681,397</u>

As reported in the financial statements:

Cash and cash equivalents	\$ 1,737,713
Restricted cash and cash equivalents	943,684
	<u>\$ 2,681,397</u>

The Utah Public Treasurer's Investment Fund (UPTIF) is an external deposit and investment pool that governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund investments must comply with the provisions of the Utah Money Management Act. The Fund is not SEC registered. The fair value of the City's position in the fund is the same as the value of fund shares.

PERRY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 9. SEGMENT INFORMATION FOR ENTERPRISE FUND

The City maintains one Public Utility Fund which provides water, sewer and garbage. Segment information for the year ended June 30, 2006, was as follows:

	Water	Sewer	Garbage	Storm Drain	Total
Assets:					
Current assets	\$ 354,312	\$ 354,311	\$ 319,258	\$ 319,258	\$ 1,347,139
Capital assets	2,393,999	1,502,543	-	269,580	4,166,122
Noncurrent assets	275,844	457,204			733,048
Total assets	\$ 3,024,155	\$ 2,314,058	\$ 319,258	588,838	\$ 6,246,309
Liabilities:					
Current liabilities	\$ 51,369	\$ 19,940	\$ 6,409	6,409	\$ 84,127
Due to other funds	-	-	-	-	-
Non-current liabilities	470,431	31,456	793	793	503,473
Total liabilities	\$ 521,800	\$ 51,396	\$ 7,202	7,202	\$ 587,600
Net assets:					
Investment in capital assets, net					
of related debt	\$ 1,917,996	\$ 1,458,350	\$ -	\$ 269,580	\$ 3,645,926
Restricted for debt service	49,000	32,300	-	-	81,300
Restricted for development	226,844	424,904	-	-	651,748
Unrestricted	308,515	347,108	312,056	312,056	1,279,735
Total net assets	\$ 2,502,355	\$ 2,262,662	\$ 312,056	581,636	\$ 5,658,709
Operating revenues:					
Charges for service	\$ 244,905	\$ 156,463	\$ 159,986	27,873	\$ 589,227
Grants and contributions	-	-	-	-	-
Operating expenses, excluding depreciation	(201,241)	(156,785)	(135,177)	(15,341)	(508,544)
Depreciation	(69,529)	(39,583)	-	(4,946)	(114,058)
Operating income	(25,865)	(39,905)	24,809	7,586	(33,375)
Non-operating revenues:					
Interest expense	(13,383)	(1,355)	-	-	(14,738)
Impact fees	294,615	242,851	-	55,761	593,227
Other connection fees	112,248	25,987	-	-	138,235
Interest income	646	646	-	-	1,292
Gain (loss) on sale of assets	-	-	-	-	-
Other	-	-	-	-	-
Operating transfer in (out)	-	-	-	-	-
Change in net assets	368,261	228,224	24,809	63,347	684,641
Beginning net assets	1,373,953	2,925,480	244,038	430,597	4,974,068
Ending net assets	\$ 1,742,214	\$ 3,153,704	\$ 268,847	\$ 493,944	\$ 5,658,709

PERRY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 10. PUBLIC UTILITY FUND

At June 30, 2006, the City had 1,195 water connections and 1,134 sewer connections. During the year 23 new water and 21 new sewer connections were made. The City had no outstanding work orders for connections at June 30, 2006.

The average monthly billing per customer was \$16.12 for water and \$10.62 for sewer.

The following are the rates charged:

Water:

Single Family Dwelling 10,000 gal monthly minimum	\$15.00 per month
Multiple Dwellings 7,000 gal monthly minimum	\$12.50 per month per unit
Commercial Business 10,000 gal monthly minimum	\$15.00 per month
Non-Profit Organization Buildings 10,000 gal monthly minimum	\$15.00 per month
Over Minimum Fee	\$.95 per thousand

Sewer:

For single dwelling units and transient apartments.	\$11.50 per month
For multiple dwelling units, hotels, and motels:	
First two units	each unit \$11.50 per month
Next three units	each unit \$10.00 per month
For each additional unit in excess of five units	each unit \$ 9.50 per month

Garbage:

First can	\$ 11.25 per month
Additional can	\$ 8.25 per month

Storm drain fee:	\$ 2.00 per month
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PERRY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 11. SUMMARY OF INSURANCE

<u>Insurance Carrier and Policy Number</u>	<u>Expiration Date</u>	<u>Coverage</u>	<u>Amount</u>
State Insurance Fund	Continuous until canceled	Employers Liability	\$100,000 each
Utah Local Governments Insurance Trust TGL-116	Continuous until canceled	Comprehensive General Liability	\$2,000,000 each & in aggregate
		Bodily Injury	\$2,000,000 each & in aggregate
		Property Damage	\$2,000,000 each & in aggregate
		Comprehensive Automobile Liability	\$2,000,000 each & in aggregate
		Bodily Injury	\$2,000,000 each & in aggregate
		Property Damage	\$2,000,000 each & in aggregate
		Uninsured Motorist	\$65,000 each & in aggregate
		Generator building	\$ 30,707
		D pump house	\$ 39,100
		Contents	\$ 18,666
		E pump house	\$ 13,248
		Contents	\$ 18,666
		Pump house	\$ 47,100
		Contents	\$ 12,077
		Reservoirs 1 & 2	\$ 700,600

PERRY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 13. SUMMARY OF INSURANCE (Continued)

<u>Insurance Carrier and Policy Number</u>	<u>Expiration Date</u>	<u>Coverage</u>	<u>Amount</u>
		East Bench reservoir	\$ 538,867
		East Bench well house	\$ 55,150
		Contents	\$ 31,461
		City Offices	\$ 308,100
		Contents	\$ 135,000
		Chlorination house	\$ 4,622
		Contents	\$ 3,294
		Sewer outflow stations	\$ 71,171
		Contents	\$ 3,294
		Bowery	\$ 48,680
		Contents	\$ 6,500
		Storage Shed	\$ 18,383
		Contents	\$ 8,000
		Bowery #1	\$ 8,627
		Bowery #2	\$ 8,627
		Contents	\$ 7,000
		Restrooms	\$ 22,697
		Contents	\$ 950
		Restrooms	\$ 31,426
		Contents	\$ 528
		Equipment storage	\$ 35,000
		Contents	\$ 10,000
		Inflo shelter	\$ 13,762
		Case backhoe	\$ 65,000
		Data processing equipment	\$ 50,000
		Salt shed	\$ 39,950
		Sewer Lift Station #1	\$ 75,000
		Cat 14E grader	\$ 20,000
		Cat D8	\$ 25,000
American Motorist	7/1/2004	Bond - Treasurer	\$ 35,000
Utah Local Govs. Trust	2/20/2005	Bond - Treasurer/Recorder	\$ 208,000
Utah Local Govs. Trust	10/23/2005	Bond - Rec/Clerk	\$ 60,000

PERRY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 12. RECONCILIATION OF DUE TO/DUE FROM BALANCES

The following table provides a reconciliation of all due to/due from accounts:

Utility Fund		Fleet Lease Fund	
Due from Fleet Lease Fund	\$ 55,145	Due to Other Funds	\$ 66,720
	<u>\$ 55,145</u>		<u>\$ 66,720</u>
General Fund			
Due from Fleet Lease Fund	\$ 11,575		
	<u>\$ 11,575</u>		

These are short term loans between funds to cover cash deficits.

NOTE 13. RESTRICTED FUND BALANCES

Restricted fund balances are amounts that are restricted either from an outside source or enabling legislation. Restricted fund balances at June 30, 2006, are comprised of the following:

Governmental activities:		
Park impact fees		\$ 16,109
SID funds held by trustee for debt service		194,527
		<u>\$ 210,636</u>
Business-type activities		
Water impact fees		\$ 226,844
Sewer impact fees		424,904
Debt service on water bonds		49,000
Debt service on sewer bonds		32,300
		<u>\$ 733,048</u>

PERRY CITY CORPORATION
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 58,167	\$ 58,167	\$ -	\$ (58,167)
Investment earnings	3,000	3,000	2,851	(149)
Total revenues	61,167	61,167	2,851	(58,316)
EXPENDITURES				
Current:				
Administration	17,000	17,000	-	17,000
Total current expenditures	17,000	17,000	-	17,000
Total expenditures	17,000	17,000	-	17,000
Excess of revenues over expenditures	44,167	44,167	2,851	(41,316)
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	1,400,000	1,903,833	1,965,000	61,167
Transfers out		(186,599)	(186,599)	-
Debt service:				
Bond issuance costs	-	(317,234)	(104,361)	212,873
Interest and fiscal charges	(145,000)	(145,000)	(141,643)	3,357
Total other financing sources and uses	1,255,000	1,255,000	1,532,397	277,397
Net change in fund balances	1,299,167	1,299,167	1,535,248	236,081
Fund balances - beginning	(1,589,857)	(1,589,857)	(1,589,857)	-
Fund balances - ending	\$ (290,690)	\$ (290,690)	\$ (54,609)	\$ 236,081

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION
SPECIAL IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Investment earnings	-	2,000	7,928	5,928
Total revenues	-	2,000	7,928	5,928
EXPENDITURES				
Current:				
Administration	-	-	-	-
Total current expenditures	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	2,000	7,928	5,928
OTHER FINANCING SOURCES (USES)				
Transfers in	-	186,599	186,599	-
Debt service:				
Bond issuance costs	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total other financing sources and uses	-	186,599	186,599	-
Net change in fund balances	-	188,599	194,527	5,928
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ 188,599	\$ 194,527	\$ 5,928

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION
SCHEDULE OF IMPACT FEES
FOR THE YEAR ENDED JUNE 30, 2006

The State of Utah requires the following information on impact fees to be reported in the supplemental data section of the financial statements.

The City has implemented the collection of impact fees on new development for parks, water distribution, sewer collection, and storm drain distribution. The fees are collected to expand the respective infrastructure as outlined in a properly approved capital facilities plan to handle new growth. If the City does not expend the impact fees within five years of collection, the fees must be rebated back to the property owners or the fees must be designated for a project by the City Council and spent within the designated time frame. As of June 30, 2006, the impact fee activity was as follows.

<u>Impact Fee</u>	<u>Balance, June 30, 2005</u>	<u>Additions</u>	<u>Expenditures</u>	<u>Balance, June 30, 2006</u>
Parks	\$ (17,323)	\$ 33,432	\$ -	\$ 16,109
Water-distribution	7,773	299,508	(80,437)	226,844
Sewer-collection	243,005	254,152	(72,253)	424,904
Storm drain	(63,698)	55,761	(31,368)	(39,305)
	<u>\$ 169,757</u>	<u>\$ 642,853</u>	<u>\$ (184,058)</u>	<u>\$ 628,552</u>

The City collected impact fees for new park development. No funds were spent in fiscal year 2006.

Water:

The City collects water impact fees for development and improvements on the existing system. All funds spent in fiscal year 2006 were spent on such developments and improvements. All impact fees are designated for expenditure in fiscal year 2007 for water system development and improvements.

Sewer:

The City collects sewer impact fees for development and improvements on the existing system. All funds spent in fiscal year 2006 were spent on such developments and improvements. All impact fees are designated for expenditure in fiscal year 2007 for sewer system development and improvements.

Storm drain:

The City collects storm drain impact fees for development and improvement on the existing system. All funds collected in fiscal year 2006 were spent on such development and improvements.

PERRY CITY CORPORATION
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

**PERRY CITY CORPORATION
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2006**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Honorable Mayor and City Council
Perry City Corporation, Utah

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry City Corporation, as of and for the year ended June 30, 2006, which collectively comprise Perry City Corporation's basic financial statements and have issued our report thereon dated November 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Perry City Corporation's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings, Recommendations and Responses as items 06-01 and 06-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 06-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perry City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings, recommendations and responses as item 06-01.

We also noted certain additional matters that we reported to management of Perry City Corporation in the accompanying Schedule of Findings, Recommendations and Responses.

This report is intended solely for the information of the management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Wiggins & Co., PC

Brigham City, Utah
November 29, 2006

**INDEPENDENT AUDITORS' REPORT
ON STATE LEGAL COMPLIANCE**

To the Honorable Mayor and City Council
Perry City Corporation, Utah

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry City Corporation for the year ended June 30, 2006, which collectively comprise Perry City Corporation's basic financial statements and have issued our report thereon dated November 29, 2006. As part of our audit, we have audited Perry City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major assistance program from the State of Utah:

B & C Road Funds (Department of Transportation)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's financial statements.)

Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in taxation and property tax limitations
Other Compliance Requirements
Uniform Building Code Standards
Impact Fees

The management of Perry City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

PERRY CITY

3005 SOUTH 1200 WEST • PERRY, UTAH 84302

OFFICE • (435) 723-6461

FAX • (435) 723-8584

April 3, 2007

Mr. MacRay A. Curtis, CPA
Office of the State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
P. O. Box 142310
Salt Lake City, UT 84114-2310

Re: Corrective Action Regarding Recent Letter Dated March 19, 2007

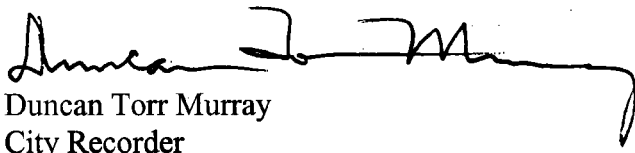
Mr. Curtis:

As per your recent letter, and as per my phone call with Mr. Van Christensen today, we are taking corrective action to return Perry City to substantial compliance with finance-related legal and contractual provisions of State law, including budgetary compliance and fund balance limitations, as follows:

1. Christine Robinson, our new financial clerk, shall serve as the contact person; and
2. The Mayor and City Council, as well as City staff, and an independent financial expert, Alan McEwan, Jr., have reviewed the current budget and have identified the specific budget amendments necessary to comply with your recent letter (specifically, we will amend the budget in May for the current budget year to ensure that we are not overspending any department budgets and to ensure that the "carryover" is not more than allowed by law); and
3. We have a public meeting to review the amended (for the current budget year) as a tentative amendment on May 10, 2007, and we will be holding a Public Hearing and taking action to accept a final budget amendment on May 24, 2007. We will then submit the minutes of the meeting and the approved budget amendments soon thereafter.
4. Perry City now has new financial software (Caselle) and all relevant employees are fully trained to use it. This new software should also make it easier to prevent any non-compliance issues in the future.

It is our understanding that this is an adequate plan for corrective action.

Sincerely,



Duncan Torr Murray
City Recorder

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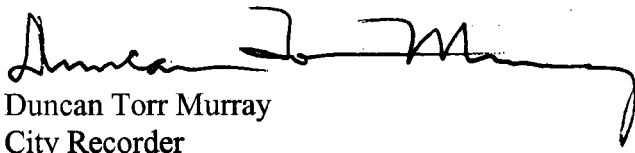
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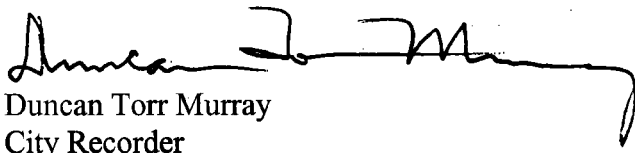
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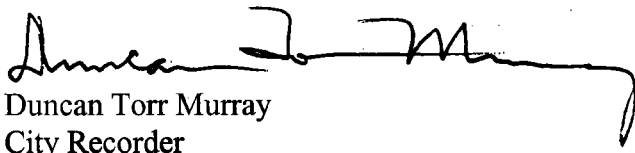
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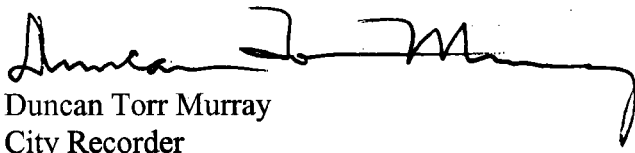
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